

**SHELBY COUNTY, IOWA
Independent Auditors' Report
Basic Financial Statements
and
Supplementary Information
Schedule of Findings and
Questioned Costs
June 30, 2008**

SHELBY COUNTY, IOWA

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SHELBY COUNTY, IOWA

COUNTY OFFICIALS

Name	Title	Term Expires
(Before January 2008)		
Roger Schmitz	Board of Supervisors	January 2010
LaVon Christensen	Board of Supervisors	January 2009
Richard Ferry	Board of Supervisors	January 2009
Marsha Carter	County Auditor	January 2009
Carolyn Blum	County Treasurer	January 2010
Linda Fahn	County Recorder	January 2010
Gene Cavanaugh	County Sheriff	January 2009
Marcus Gross	County Attorney	January 2009
Tony Buman	County Assessor	January 2010
(After January 2008)		
Roger Schmitz	Board of Supervisors	January 2010
Richard Ferry	Board of Supervisors	January 2009
LaVon Christensen	Board of Supervisors	January 2009
Marsha Carter	County Auditor	January 2010
Carolyn Blum	County Treasurer	January 2010
Linda Fahn	County Recorder	January 2010
Gene Cavanaugh	County Sheriff	January 2009
Marcus Gross	County Attorney	January 2009
Tony Buman	County Assessor	January 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Shelby County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Shelby County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2009 on our consideration of Shelby County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Shelby County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, is presented for

purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
April 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 10%, or approximately \$1,285,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$454,000, operating grants and contributions increased approximately \$448,000 and capital grants and contributions increased approximately \$559,000.
- Program expenses of the County's governmental activities were 12%, or approximately \$1,252,000, more in fiscal 2008 than in fiscal 2007. Roads and transportation expenses increased approximately \$500,000, public safety and legal services increased \$61,000, mental health increased \$298,000, government services to residents increased \$76,000, and non-program expenses decreased approximately \$44,000.
- The County's net assets increased 3%, or approximately \$605,000, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

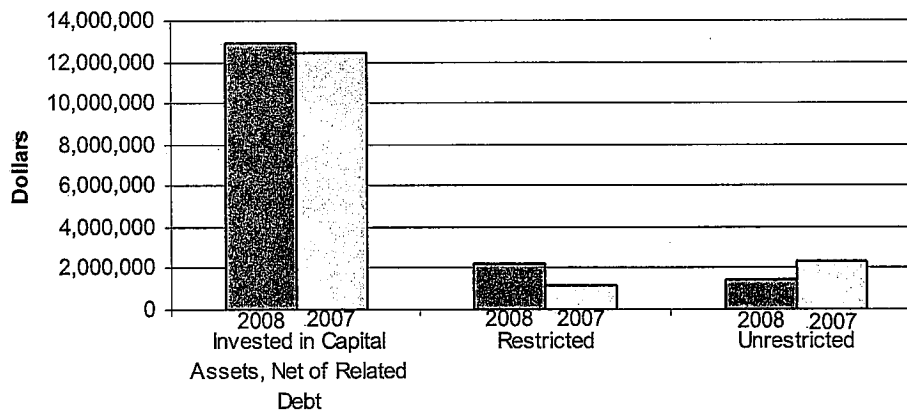
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Shelby County's combined net assets increased from \$15.9 million to \$16.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2008	2007
Current and Other Assets	\$	11,762	\$ 10,305
Capital Assets		13,015	12,575
Total Assets		24,777	22,880
Long-Term Liabilities		1,985	928
Other Liabilities		6,167	5,932
Total Liabilities		8,152	6,860
Net Assets			
Invested in Capital Assets, Net of Related Debt		12,961	12,465
Restricted		2,220	1,183
Unrestricted		1,444	2,372
Total Net Assets	\$	16,625	\$ 16,020

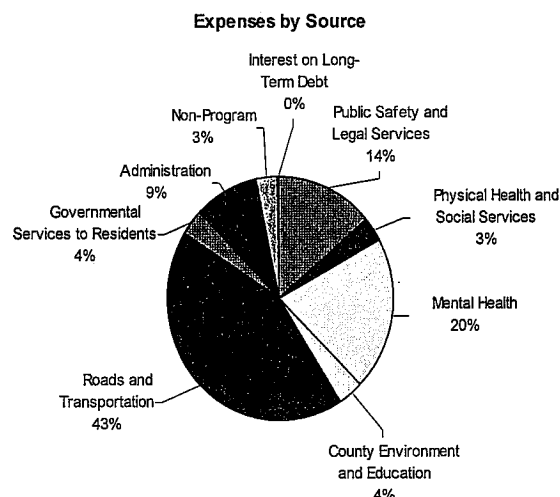
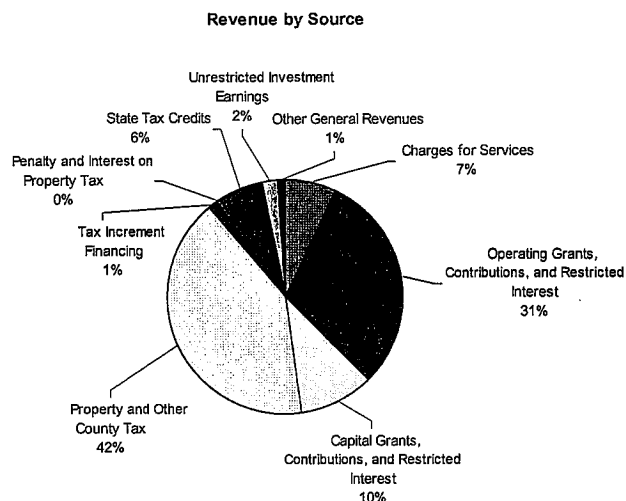
Comparison of Net Assets



Net assets of Shelby County's governmental activities increased approximately \$605,000 or 3% during the year. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$2,372,000 at June 30, 2007 to approximately \$1,444,000 at the end of this year, a decrease of 39.1%

This decrease of approximately \$928,000 in unrestricted net assets was a result of the decrease in inventory value and the general fund balance, and the increase in the general obligation debt. The County increased its investment in capital assets, net of related debt by approximately \$496,000 over the prior year, primarily due to the completion of several Roads and Transportation construction projects and the payment of \$205,000 of related debt.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2008	2007
Revenues			
Program Revenues:			
Charges for Services	\$	929	\$ 814
Operating Grants, Contributions, and Restricted Interest		3,816	3,368
Capital Grants, Contributions, and Restricted Interest		1,306	747
General Revenues:			
Property and Other County Tax		5,224	4,770
Tax Increment Financing		183	183
Penalty and Interest on Property Tax		28	28
State Tax Credits		820	777
Unrestricted Investment Earnings		239	206
(Loss) Gain on Sale of Capital Assets		(10)	25
Other General Revenues		145	156
Total Revenues		12,680	11,074
Program Expenses			
Public Safety and Legal Services		1,691	1,630
Physical Health and Social Services		378	338
Mental Health		2,465	2,167
County Environment and Education		444	387
Roads and Transportation		5,139	4,640
Governmental Services to Residents		432	356
Administration		1,134	974
Non-Program		29	27
Capital Projects		336	295
Interest on Long-Term Debt		26	31
Total Expenses		12,075	10,845
Change in Net Assets		605	229
Net Assets, Beginning of Year as Previously Stated		16,020	15,791
Net Assets, End of Year	\$	16,625	\$ 16,020



Revenues of governmental activities increased 10%, or approximately \$1,285,000 over the prior year, with property tax revenue up from the prior year approximately \$454,000, or 8.6% and capital grants and contributions decreased approximately \$2,480,000.

Fiscal 2008 saw an increase in our total taxable valuation of \$11,000,000, and our total tax asking increased \$345,000, or 7.4%. But if we look at the last two years, our tax asking has only increased \$221,767, or 4.7% since Fiscal 2006.

The cost of all governmental activities this year was \$12.1 million compared to \$10.9 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was \$6.6 million because some of the cost was paid by those directly benefited from the programs (\$930,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,122,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from approximately \$4,929,000 in 2007 to \$6,051,000 in 2008, principally due to increased grant proceeds for mental health services. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,224,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$5.6 million, an increase of approximately \$1,228,000 from last year's total of \$4.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2008 with a fund balance totaling \$2,006,396. This was an increase from Fiscal Year 2007 of \$261,849.
- The Mental Health Fund balance at year end increased by \$29,315 from the prior year. This was due to the decreased cost for programs like the MR Waiver Program.
- The Rural Services Fund ended Fiscal Year 2008 with a fund balance of \$223,732. This was a increase from Fiscal Year 2007 of \$10,902.
- The Secondary Roads Fund ended Fiscal Year 2008 with a fund balance of \$2,144,130, down \$94,625 when compared to the ending balance for Fiscal Year 2008. During Fiscal Year 2007, Federal Disasters were declared twice for Shelby County. The County continues to work for

Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

- The Debt Service Fund ended Fiscal Year 2008 with a fund balance of \$3,960, holding level when compared to the ending balance for Fiscal Year 2007.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 20, 2008 by \$1,165,523. Only \$172,800 was taken from undesignated reserves for unplanned but necessary expenditures. Grants and State funding covered the \$245,000 of Secondary Road and Conservation expenditures for FEMA related flood damages from 2007 and \$186,083 additional Mental Health expenditures. Shelby County also amended its budget to spend \$350,000 of the \$1 million bond for the road upgrade in Douglas Township. The \$107,400 portion of the amendment taken from designated reserves was for planned projects and maintenance items.

The County's receipts were \$1,445,066 more than budgeted. \$832,040 was received in Intergovernmental activities which includes all State and Federal Grants. In addition, Shelby County also received \$1,065,000 in bond funds for the Douglas Township Road Upgrade.

Total disbursements were \$634,136 less than the amended budget. Actual disbursements for the Mental Health were over budget by \$139,755 and Capital Projects functions were approximately \$571,140 and than budgeted. This was primarily due to the delay of some Secondary Road construction projects under FY2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Shelby County had approximately \$13 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$418,000 increase (including additions and deletions) over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2008	2007
Land	\$ 331	\$ 331
Construction in Progress	1,178	265
Buildings and Improvements	2,281	2,309
Equipment and Vehicles	2,491	2,670
Infrastructure	6,734	7,000
Total	\$ 13,015	\$ 12,575

The County had depreciation expense of \$724,647 in fiscal 2008 and total accumulated depreciation of \$6,299,808 at June 30, 2008. The County's fiscal year 2008 capital budget included \$967,713 for capital projects, principally for road construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2008, Shelby County had \$1,520,000 in general obligation capital loan notes outstanding, compared to approximately \$660,000 of long-term debt at June 30, 2007, as shown below.

Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands)			
	June 30		
	2008	2007	
General Obligation Capital Loan Notes	\$ 400	\$ 550	
General Obligation Capital Loan Notes	55	110	
General Obligation Capital Loan Notes	1,065		
Total	\$ 1,520	\$ 660	

Debt increased as a result of issuing general obligation bonds for the urban renewal project within the Douglas Township Urban Renewal Area.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property in the County. Shelby County's outstanding general obligation debt is significantly below its constitutional debt limit of \$35.8 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.1% versus 3.5% a year ago. This compares with the State's unemployment rate of 3.9% and the national rate of 5.5%.

Since the union contracts do not expire until June 30, 2010, the County was able to budget accurately for payroll, with some estimates for overtime. Negotiations will begin in the fall of 2009 for our three existing unions.

All the different variables were taken into account when adopting the Fiscal Year 2009 Budget. Budgeted revenues for the General and Rural Services Funds stayed fairly level from Fiscal Year 2008, not including property tax revenue. General Revenues budgeted for Licenses & Permits, Charges for Services and Use of Money and Property did increase by \$121,000. Budgeted expenditures in the General and Rural Services Funds increased approximately \$204,948. \$105,083 of this increase was due to the increase in the property valuation, which increases the maximum transfer to Secondary Roads. Public Safety expenses increased by \$116,000, and Physical Health and Social Services increased by \$21,290. Even with the union-based salary increases, there was a slight decrease in Governmental Services to Residents of \$13,145 and Administration of \$2,935. The County is working to maintain the existing fund balances to cover any unforeseen expenditures throughout Fiscal Year 2009. The final Fiscal Year 2009 Budget was adopted with a total tax rate decrease of \$0.81 per \$1,000 of taxable valuation and a total tax asking increase of \$116,969.

During Fiscal 2008, the County purchased new aerial photography to bring our mapping system up-to-date. This was a joint project of the Emergency Management Agency, Law Enforcement, the Assessor, and the GIS Mapping Department. The cost of the project was in excess of \$60,000, but was eligible for approximately \$18,000 from the 911 Wireless Surcharge Funds because of its value to Emergency Services and Law Enforcement.

In early 2008, the law was changed to add county roads to the list of essential purposes for which counties could bond. During fiscal 2008, Shelby County was the first county in Iowa to use GO Bonds to fund a 1.5 mile granular surfaced road upgrade in Douglas Township. The construction of a 6,000-head dairy in the area and the increased traffic on that road was the reason for the \$1.1 million dollar bond. A Tax Increment Financing Area was also set up so the taxes from the facility will pay off the bond.

The County Engineer reported that an existing bridge (Ferry Bridge) had been replaced by twin 10X12 concrete culverts at a cost of \$275,000.

The Secondary Road Department has continued to repair numerous sites damaged from the 2007 flood, with not all being reimbursed by FEMA.

Conservation has worked this year to add approximately 14 campsites to the NishnaBend Recreation Area.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

BASIC FINANCIAL STATEMENTS

Exhibit A

SHELBY COUNTY
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 4,777,776
Receivables	
Property Tax	
Delinquent	32,307
Succeeding Year	5,260,321
Accounts	40,982
Accrued Interest	54,476
Due from Other Governments	419,157
Prepaid Insurance	47,753
Inventories	1,103,968
Unamortized Bond Issuance Costs	24,648
Land (Note 5)	330,775
Construction in Progress (Note 5)	1,178,754
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 5)	11,506,166
Total Assets	24,777,083
LIABILITIES	
Accounts Payable	474,818
Accrued Interest Payable	4,669
Salaries and Benefits Payable	134,908
Due to Other Governments (Note 6)	292,162
Deferred Revenue:	
Succeeding Year Property Tax	5,260,321
Long-Term Liabilities (Note 7)	
Portion Due or Payable Within One Year	
General Obligation Bonds, net of bond discount	269,535
Compensated Absences	26,936
Portion Due or Payable After One Year	
General Obligation Bonds, net of bond discount	1,245,818
Compensated Absences	443,204
Total Liabilities	8,152,371
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,960,695
Restricted for	
Supplemental Levy Purposes	302,422
Mental Health Purposes	81,933
Secondary Roads Purposes	1,831,764
Debt Service	4,354
Unrestricted	1,443,544
Total Net Assets	\$ 16,624,712

See Accompanying Notes to Financial Statements

SHELBY COUNTY
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				
	Charges for	Operating Grants,	Capital Grants,	Net (Expense)	
Expenses	Services	Contributions	Contributions	Revenue	
		and Restricted	and Restricted	and Changes	
		Interest	Interest	in Net Assets	
Functions/Programs					
Governmental Activities					
Public Safety and Legal Services	\$ 1,689,530	\$ 269,878	\$ 50,924	\$ -	\$ (1,368,728)
Physical Health and Social Services	377,920	-	37,362	-	(340,558)
Mental Health	2,465,438	78,782	995,362	-	(1,391,294)
County Environment and Education	455,888	49,350	89,188	-	(317,350)
Roads and Transportation	5,139,428	172,874	2,610,551	1,306,053	(1,049,950)
Government Services to Residents	432,052	314,878	32,277	-	(84,897)
Administrative Services	1,133,663	43,876	-	-	(1,089,787)
Non-Program	29,476	-	-	-	(29,476)
Capital Projects	336,216	-	-	-	(336,216)
Interest on Long-Term Debt	25,992	-	-	-	(25,992)
Total	<u>\$ 12,085,603</u>	<u>\$ 929,638</u>	<u>\$ 3,815,664</u>	<u>\$ 1,306,053</u>	<u>(6,034,248)</u>
General Revenues					
Property and Other County Tax Levied for					
General Purpose					4,674,577
Debt Service					57,326
Penalty and Interest on Property Tax					28,403
Local Option Sales Tax					492,228
Tax Increment Financing					183,254
State Tax Credits					819,884
Unrestricted Investment Earnings					238,660
Miscellaneous					145,115
Total General Revenues					<u>6,639,447</u>
Change in Net Assets					605,199
Net Assets - Beginning of Year					<u>16,019,513</u>
Net Assets - End of Year					<u>\$ 16,624,712</u>

SHELBY COUNTY
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>
Assets	
Cash and Pooled Investments	\$ 1,909,550
Receivables	
Property Tax	
Delinquent	17,973
Succeeding Year	2,682,670
Accounts	36,892
Accrued Interest	54,476
Interfund Receivables	
Due from Other Governments	56,824
Inventories	
Prepaid Insurance	47,753
Total Assets	<u><u>4,806,138</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	36,669
Salaries and Benefits Payable	57,958
Interfund Payables	4,472
Due to Other Governments	
Deferred Revenue:	
Succeeding Year Property Tax	2,682,670
Deferred Revenue	17,973
Total Liabilities	<u><u>2,799,742</u></u>
Fund Balances	
Reserved for	
Inventories	
Prepaid Insurance	47,753
Debt Service	
Secondary Roads	
Supplemental Levy Purposes	272,228
Unreserved, Reported In	
General Fund	1,686,415
Special Revenue Funds	
Capital Project Fund	
Total Fund Balances	<u><u>2,006,396</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 4,806,138</u></u>

See Accompanying Notes to Financial Statements

Exhibit C

Special Revenue			Other Governmental Funds	Total
Rural Services	Secondary Roads	Mental Health		
\$ 201,927	\$ 995,151	\$ 510,943	\$ 1,160,205	\$ 4,777,776
8,177		5,763	394	32,307
1,347,609		857,283	372,759	5,260,321
			4,090	40,982
				54,476
	4,684			4,684
21,841	279,014	61,478		419,157
	1,103,968			1,103,968
				47,753
<u>1,579,554</u>	<u>2,382,817</u>	<u>1,435,467</u>	<u>1,537,448</u>	<u>11,741,424</u>
	178,988	174,217	84,944	474,818
36	59,699	11,608	5,607	134,908
		212		4,684
		292,162		292,162
1,347,609		857,283	372,759	5,260,321
8,177		5,763	394	32,307
<u>1,355,822</u>	<u>238,687</u>	<u>1,341,245</u>	<u>463,704</u>	<u>6,199,200</u>
	1,103,968			1,103,968
				47,753
			3,960	3,960
			1,059,888	1,059,888
31,042				303,270
				1,686,415
192,690	1,040,162	94,222	118,701	1,445,775
			(108,805)	(108,805)
<u>223,732</u>	<u>2,144,130</u>	<u>94,222</u>	<u>1,073,744</u>	<u>5,542,224</u>
<u>\$ 1,579,554</u>	<u>\$ 2,382,817</u>	<u>\$ 1,435,467</u>	<u>\$ 1,537,448</u>	<u>\$ 11,741,424</u>

See Accompanying Notes to Financial Statements

SHELBY COUNTY

SHELBY COUNTY
Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Assets
June 30, 2008

Total Governmental Fund Balances (page 15)			\$ 5,542,224
Amounts reported for governmental activities in the statement of net assets are different because:			
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets are \$19,315,503 and the accumulated depreciation is \$6,299,808.			13,015,695
Deferred revenues from the balance sheet that provide current financial resources for governmental activities			32,307
Unamortized bond issuance costs not reported on the modified accrual basis			24,648
Unamortized bond discount not reported on the modified accrual basis			4,647
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General Obligation Bonds	(1,520,000)		
Accrued Interest	(4,669)		
Compensated Absences	(470,140)	(1,994,809)	
Total Net Assets - Governmental Activities (page 12)			<u>\$ 16,624,712</u>

SHELBY COUNTY
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>
Revenue	
Property and Other County Tax	\$ 2,634,541
Penalty and Interest on Property Tax	28,403
Local Option Sales Tax	164,076
Intergovernmental Revenue	357,193
Licenses and Permits	212,615
Charges for Services	301,821
Use of Money and Property	315,157
Miscellaneous	70,276
Total Revenue	<u>4,084,082</u>
Expenditures	
Operating	
Public Safety and Legal Services	1,677,212
Physical Health and Social Services	368,441
Mental Health	
County Environment and Education Services	37,522
Roads and Transportation	
Governmental Services to Residents	396,952
Administrative Services	1,003,932
Non-program	21,259
Debt Service	
Principal	
Interest	
Capital Projects	
Total Expenditures	<u>3,505,318</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>578,764</u>
Other Financing Sources (Uses)	
Proceeds from Bond Issuance	
Bond Discount	
Transfers In	543,811
Transfers Out	(860,726)
Total Other Financing Sources (Uses)	<u>(316,915)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	261,849
Fund Balances - Beginning of Year	1,744,547
Fund Balances - End of Year	<u>\$ 2,006,396</u>

See Accompanying Notes to Financial Statements

Exhibit E

Special Revenue				
Rural Services	Secondary Roads	Mental Health	Other Governmental Funds	Total
\$ 1,202,948		\$ 842,509	\$ 240,660	\$ 4,920,658
				28,403
164,076	\$ 164,076			492,228
108,256	3,102,378	1,618,040	39,723	5,225,590
	1,505			214,120
			12,095	313,916
	5,438		8,073	328,668
	131,463	6,365	79,105	287,209
<u>1,475,280</u>	<u>3,404,860</u>	<u>2,466,914</u>	<u>379,656</u>	<u>11,810,792</u>
			27,228	1,704,440
				368,441
		2,446,599		2,446,599
183,225			224,250	444,997
143	4,679,468			4,679,611
			1,290	398,242
			809	1,004,741
				21,259
			205,000	205,000
			23,445	23,445
	114,383		254,233	368,616
<u>183,368</u>	<u>4,793,851</u>	<u>2,446,599</u>	<u>736,255</u>	<u>11,665,391</u>
<u>1,291,912</u>	<u>(1,388,991)</u>	<u>20,315</u>	<u>(356,599)</u>	<u>145,401</u>
			1,065,000	1,065,000
			(5,112)	(5,112)
-	1,294,366	309,000	491,776	2,638,953
(1,281,010)		(300,000)	(197,217)	(2,638,953)
<u>(1,281,010)</u>	<u>1,294,366</u>	<u>9,000</u>	<u>1,354,447</u>	<u>1,059,888</u>
10,902	(94,625)	29,315	997,848	1,205,289
212,830	2,238,755	64,907	75,896	4,336,935
<u>\$ 223,732</u>	<u>\$ 2,144,130</u>	<u>\$ 94,222</u>	<u>\$ 1,073,744</u>	<u>\$ 5,542,224</u>

See Accompanying Notes to Financial Statements

Exhibit F

SHELBY COUNTY
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (page 18) \$ 1,205,289

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays, including infrastructure, as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the assets. Capital outlays exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	1,181,057	
Depreciation expense	<u>(724,647)</u>	456,410

Governmental funds do not report disposals of governmental assets. The assets disposed during the year, and the accumulated depreciation on the disposed assets, are as follows:

Cost of disposed assets	(69,359)	
Accumulated depreciation on the disposed assets	<u>53,628</u>	(15,731)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax		(5,501)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(1,065,000)	
Discount on Bond Issue	4,647	
Bond Issuance Costs	24,648	
Repaid	<u>205,000</u>	(830,705)

Payment of certain expenditures are recorded in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Compensated Absences		(202,016)
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Some expenses are an expenditure in the governmental funds, but the payment reduces liabilities in the Statement of Net Assets.

Interest on long-term debt		<u>(2,547)</u>
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Change in Net Assets of Governmental Activities (page 13)		<u><u>\$ 605,199</u></u>
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SHELBY COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and Pooled Investments:

County Treasurer	\$ 1,816,057
Other County Officials	36,113
Shelby County Solid Waste Agency	333,000

Receivables:

Property Tax:

Delinquent	71,805
Succeeding Year	10,729,502
Accounts	<u>31,126</u>

Total Assets13,017,603**Liabilities**

Accounts Payable	218,435
Salaries and Benefits Payable	24,378
Due to Other Governments	12,753,677
Trusts Payable	<u>21,113</u>

Total Liabilities\$ 13,017,603

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

Shelby County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Monona/Harrison/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organizations and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO), Southwest Iowa Juvenile Detention Center and Shelby County Ambulance Commission.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets received and held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Interfund Receivables/Payables - During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received by June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	20 – 50
Land Improvements	10 – 50
Infrastructure	10 – 50
Equipment and Vehicles	3 – 20

Due To Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized since the assets are not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Conservation, and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the mental health, roads and transportation, and non-program functions.

Note 2 - Cash and Pooled Investments

The County's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 3 - Interfund Receivable/Payable

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Secondary Roads	General Fund	\$ 4,472
Secondary Roads	Mental Health	212
Total		<u>\$ 4,684</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Note 4 - Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfers To	Transfer From	Amount
General Fund	Rural Services	\$ 200,000
	Mental Health	300,000
	Tax Increment Financing	36,479
	Capital Projects	7,332
Secondary Roads	Rural Services	1,061,010
	General Fund	79,950
	Capital Projects	153,406
Mental Health	General Fund	309,000
Conservation	General Fund	150,000
Flood and Erosion	Rural Services	20,000
Capital Projects	General Fund	<u>321,776</u>
Total Transfers		<u>\$ 2,638,953</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 330,775			\$ 330,775
Construction in Progress	265,231	\$ 913,523		1,178,754
Total capital assets not being depreciated	596,006	913,523		1,509,529
Capital assets being depreciated:				
Buildings	3,677,079	47,738		3,724,817
Equipment and Vehicles	6,580,531	227,076	\$ (84,959)	6,722,648
Infrastructure, Road Network	7,358,509			7,358,509
Total capital assets being depreciated	17,616,119	274,814	(84,959)	17,805,974
Less accumulated depreciation for:				
Buildings	1,367,695	76,522		1,444,217
Equipment and Vehicles	3,910,482	383,321	(61,948)	4,231,855
Infrastructure, Road Network	358,932	264,804		623,736
Total accumulated depreciation	5,637,109	724,647	(61,948)	6,299,808
Total capital assets being depreciated, net	11,979,010	(449,833)	(23,011)	11,506,166
Governmental activities capital assets, net	\$12,575,016	\$ 463,690	\$ (23,011)	\$ 13,015,695

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 25,355
Mental Health	3,690
County Environment and Education Services	26,575
Roads and Transportation	543,446
Governmental Services to Residents	16,830
Administrative Services	<u>108,751</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 724,647</u>

Reconciliation of Invested in Capital Assets is as follows:

Net capital assets	\$ 13,015,695
Less outstanding principal of Series 1999 Bonds	<u>(55,000)</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 12,960,695</u>

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 6 - Due to Other Governments

The County purchases services from other governmental units and also acts as fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
Mental Health	Services	<u>\$ 292,162</u>
Agency Funds:		
Agricultural Extension	Collections	\$ 119,418
County Assessor		260,431
Schools		7,253,895
Community Colleges		434,532
Corporations		2,226,163
Townships		210,582
Auto License and Use Tax		259,750
Emergency Management		620,705
County Hospital		514,024
Solid Waste Agency		271,956
E911 Commission		343,158
M/H/S Empowerment		169,008
All Others		<u>70,055</u>
Total for Agency Funds		<u>\$ 12,753,677</u>

Note 7 - Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Capital Loan Notes			Compensated	
	Series 1999	Series 2004A	Series 2007	Absences	Total
Balance beginning of year	\$ 110,000	\$ 550,000	\$ -	\$ 268,124	\$ 928,124
Increases	-	-	1,065,000	572,386	1,637,386
Decreases	55,000	150,000	-	370,370	575,370
Balance end of year	<u>\$ 55,000</u>	<u>\$ 400,000</u>	<u>\$ 1,065,000</u>	<u>\$ 470,140</u>	<u>\$ 1,990,140</u>
Due within one year	<u>\$ 55,000</u>	<u>\$ 150,000</u>	<u>\$ 65,000</u>	<u>\$ 26,936</u>	<u>\$ 296,936</u>

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - Changes in Long-Term Debt (Continued)

Capital Loan Notes

In June 1999, the County issued \$465,000 in general obligation essential corporate purpose capital loan notes to fund improvements to the courthouse and annex buildings. The notes are payable from a continuing annual levy of taxes against all taxable property of the county.

A summary of the County's June 30, 2008 general obligation essential corporate purpose capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.60%	\$ 55,000	\$ 2,530	\$ 57,530

In November 2004, the County issued \$620,000 in general obligation capital loan notes, Series 2004A and \$70,000 in general obligation capital loan notes, Series 2004 B to fund the costs of aiding in planning, undertaking and carrying out an urban renewal project, including improvements to sewer services to the Business Park and a forgivable loan to Shelby County Cookers, LLC. A Special Revenue, TIF Fund has been established for collection of tax increment financing revenues which will be used to pay off the capital loan notes. A summary of the County's June 30, 2008 general obligation capital loan notes, 2004A is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.20%	\$ 150,000	\$ 13,675	\$ 163,675
2010	3.40%	125,000	8,875	133,875
2011	3.70%	125,000	4,625	129,625
Total		\$ 400,000	\$ 27,175	\$ 427,175

In November 2007, the County issued \$1,065,000 in general obligation capital loan notes to fund the costs of undertaking an urban renewal project, including improvements to a road leading to a new dairy. Tax increment financing revenues will be used to pay off the capital loan notes. A summary of the County's June 30, 2008 general obligation capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.50%	\$ 65,000	\$ 39,826	\$ 104,826
2010	3.55%	95,000	37,551	132,551
2011	3.60%	95,000	34,179	129,179
2012	3.65%	100,000	30,759	130,759
2013	3.70%	105,000	27,109	132,109
2014-2018	3.77%	605,000	72,425	677,425
Total		\$1,065,000	\$ 241,849	\$1,306,849

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 7 - Changes in Long-Term Debt (Continued)

During the year ended June 30, 2008 interest payments under the Series 1999, Series 2004A and 2007 general obligation capital loan notes totaled \$5,032, \$18,175 and \$23,232, respectively.

Note 8 - Pension and Retirement

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered payroll. Law enforcement employees are required to contribute 8.37% of their covered salary and the County is required to match that in full. Conservation employees are required to contribute 6.08% of their covered salary and the County is required to contribute 9.12% of the same. Contribution requirements are established by State statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$134,628, \$198,168, and \$189,513, respectively, equal to each year's required contributions.

Note 9 - Risk Management

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 9 - Risk Management (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2008 was \$109,932.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance.

SHELBY COUNTY, IOWA
Notes to Financial Statements
June 30, 2008

Note 10 – Construction Commitments

The County entered into a construction contract with Negus-Sons, Inc., Omaha, Nebraska for the construction of improvements to county roads within the Douglas Township Urban Renewal Area for a total of \$506,310 which will be paid from the issue of a \$1,065,000 general obligation bond. The project was partially complete at June 30, 2008 with the County's commitment being \$483,798. The remainder of the \$1,065,000 general obligation bond will be for the payment of various individual easements and consultant fees.

REQUIRED SUPPLEMENTAL INFORMATION

SHELBY COUNTY
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in
Balances - Budget and Actual (Cash Basis) - All Governmental Funds
Required Supplementary Information
For the Year Ended June 30, 2008

	Governmental Funds Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
Receipts				
Property and Other County Tax	\$ 5,423,619	\$ 5,226,466	\$ 5,226,466	\$ 197,153
Interest and Penalty on Property Tax	28,403	22,000	22,000	6,403
Intergovernmental	5,317,180	4,485,140	4,485,140	832,040
Licenses and Permits	213,370	164,150	164,150	49,220
Charges for Service	328,395	274,260	274,260	54,135
Use of Money and Property	307,050	168,137	168,137	138,913
Miscellaneous	279,338	112,136	112,136	167,202
Total Receipts	<u>11,897,355</u>	<u>10,452,289</u>	<u>10,452,289</u>	<u>1,445,066</u>
Disbursements				
Public Safety and Legal Services	1,698,031	1,644,499	1,735,899	37,868
Physical Health and Social Services	366,569	423,949	436,949	70,380
Mental Health	2,323,129	1,997,291	2,183,374	(139,755)
County Environment and Education	447,054	358,719	499,219	52,165
Roads and Transportation	4,612,122	4,330,550	4,530,550	(81,572)
Government Services to Residents	398,074	418,272	424,572	26,498
Administrative Services	995,252	1,046,609	1,078,609	83,357
Non-program	22,109	-	12,000	(10,109)
Debt Service	228,445	228,609	252,609	24,164
Capital Projects	396,573	507,473	967,713	571,140
Total Disbursements	<u>11,487,358</u>	<u>10,955,971</u>	<u>12,121,494</u>	<u>634,136</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>409,997</u>	<u>(503,682)</u>	<u>(1,669,205)</u>	<u>2,079,202</u>
Other Financing Sources				
Proceeds from Bond Issue	<u>1,059,888</u>	<u>-</u>	<u>1,065,000</u>	<u>(5,112)</u>
Excess (Deficiency) of Receipts and Other Sources Over Disbursements	<u>1,469,885</u>	<u>(503,682)</u>	<u>(604,205)</u>	<u>2,074,090</u>
Balance Beginning of Year	<u>3,307,891</u>	<u>3,066,643</u>	<u>3,066,643</u>	<u>241,248</u>
Balance End of Year	<u>\$ 4,777,776</u>	<u>\$ 2,562,961</u>	<u>\$ 2,462,438</u>	<u>\$ 2,315,338</u>

SHELBY COUNTY
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2008

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,897,355	\$ (86,563)	\$ 11,810,792
Expenditures	11,487,358	178,033	11,665,391
Net	409,997	(264,596)	145,401
Other Financing Sources	1,059,888	-	1,059,888
Beginning Fund Balances	3,307,891	692,226	4,336,935
Ending Fund Balances	<u>\$ 4,777,776</u>	<u>\$ 427,630</u>	<u>\$ 5,542,224</u>

SHELBY COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,165,523. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 system by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the Mental Health, Roads and Transportation, and Non-Program functions..

SHELBY COUNTY
Combining Balance Sheet
Governmental Nonmajor Funds
June 30, 2008

	Special Revenue				
	Resource Enhancement and Protection	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	K-9	Flood and Erosion
Assets					
Cash and Pooled Investments	\$ 10,391	\$ 800	\$ 327	\$ -	\$24,934
Receivables					
Property Tax					
Delinquent					
Succeeding Year					
Accounts					
Total Assets	<u>10,391</u>	<u>800</u>	<u>327</u>	<u>-</u>	<u>24,934</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable					580
Salaries and Benefits Payable					
Deferred Revenue:					
Succeeding Year Property Tax					
Deferred Revenue					
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580</u>
Fund Balances					
Reserved for Debt Service					
Reserved for Secondary Roads					
Unreserved for:					
Capital Project Fund					
Special Revenue Fund	<u>10,391</u>	<u>800</u>	<u>327</u>		<u>24,354</u>
Total Fund Balance	<u>10,391</u>	<u>800</u>	<u>327</u>	<u>-</u>	<u>24,354</u>
Total Liabilities and Fund Equity	<u>\$ 10,391</u>	<u>\$ 800</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$24,934</u>

Schedule 1

Special Revenue							
County Recorder's Records Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total
\$ 6,840	\$ 20,566	\$ 8,571	\$ 40,684	\$ 18,935	\$ 3,960	\$ 1,024,197	\$ 1,160,205
					394		394
				320,000	52,759		372,759
		562	3,528				4,090
6,840	20,566	9,133	44,212	338,935	57,113	1,024,197	1,537,448
		1,332	9,918 5,607			73,114	84,944 5,607
				320,000	52,759		372,759
					394		394
-	-	1,332	15,525	320,000	53,153	73,114	463,704
					3,960		3,960
						1,059,888	1,059,888
						(108,805)	(108,805)
6,840	20,566	7,801	28,687	18,935			118,701
6,840	20,566	7,801	28,687	18,935	3,960	951,083	1,073,744
\$ 6,840	\$ 20,566	\$ 9,133	\$ 44,212	\$ 338,935	\$ 57,113	\$ (35,691)	\$ 477,560

SHELBY COUNTY
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Nonmajor Funds
For the Year Ended June 30, 2008

	<u>Special Revenue</u>				
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Conservation Land Acquisition</u>	<u>K-9</u>	<u>Flood and Erosion</u>
Revenues					
Property and Other County Tax					
Intergovernmental Revenue	\$ 16,835				
Charges for Services					
Use of Money and Property	82	\$ 5			
Miscellaneous			\$ 264		
Total Revenues	<u>16,917</u>	<u>5</u>	<u>264</u>	<u>-</u>	<u>-</u>
Expenditures					
Operating					
Public Safety and Legal Services				\$ (197)	
County Environment and Education Services					\$ 4,510
Governmental Services to Residents					
Administrative Services					
Debt Service					
Principal					
Interest					
Capital Projects	19,200				
Total Expenditures	<u>19,200</u>	<u>-</u>	<u>-</u>	<u>(197)</u>	<u>4,510</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,283)</u>	<u>5</u>	<u>264</u>	<u>197</u>	<u>(4,510)</u>
Other Financing Sources (uses)					
Proceeds from Bond Issuance					
Bond Discount					
Transfers In					20,000
Transfers Out					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	<u>(2,283)</u>	<u>5</u>	<u>264</u>	<u>197</u>	<u>15,490</u>
Fund Balances (Deficit) - Beginning of Year	12,674	795	63	(197)	8,863
Fund Balances - End of Year	<u>\$ 10,391</u>	<u>\$ 800</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$24,353</u>

Schedule 2

Special Revenue							
County Recorder's Records Management	Drug Forfeiture	Commissary	Conservation	Tax Increment Financing	Debt Service	Capital Projects	Total
				\$ 183,254	\$ 57,406		\$ 240,660
			\$ 19,430		3,458		39,723
\$ 3,225			8,870				12,095
15	\$ 131		3,000			\$ 4,840	8,073
	12,240	\$ 6,139	60,462				79,105
3,240	12,371	6,139	91,762	183,254	60,864	4,840	379,656
	20,712	6,713					27,228
			219,740				224,250
1,290							1,290
			809				809
				150,000	55,000		205,000
				18,012	5,433		23,445
			13,200			221,833	254,233
1,290	20,712	6,713	233,749	168,012	60,433	221,833	736,255
1,950	(8,341)	(574)	(141,987)	15,242	431	(216,993)	(356,599)
						1,065,000	1,065,000
						(5,112)	(5,112)
			150,000			321,776	491,776
				(36,479)		(160,738)	(197,217)
-	-	-	150,000	(36,479)	-	1,220,926	1,354,447
1,950	(8,341)	(574)	8,013	(21,237)	431	1,003,933	997,848
4,890	28,908	8,375	20,674	40,172	3,529	(52,850)	75,896
\$ 6,840	\$ 20,567	\$ 7,801	\$ 28,687	\$ 18,935	\$ 3,960	\$ 951,083	\$ 1,073,744

SHELBY COUNTY
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Employee Flex Spending</u>	<u>Schools</u>
Assets					
Cash and pooled investments:					
County Treasurer		\$ 2,077	\$ 87,693	\$ 22,660	\$ 118,786
Other County Officials	\$ 36,113				
Shelby County Solid Waste Agency					
Receivables:					
Property Tax:					
Delinquent		781	755		44,922
Succeeding Year		116,560	215,347		7,090,187
Accounts					
Total Assets	<u>36,113</u>	<u>119,418</u>	<u>303,795</u>	<u>22,660</u>	<u>7,253,895</u>
Liabilities					
Accounts Payable			40,517	22,660	
Salaries and Benefits Payable			2,847		
Due to Other Governments	15,000	119,418	260,431		7,253,895
Payable to Trusts	21,113				
Total Liabilities	<u>\$ 36,113</u>	<u>\$ 119,418</u>	<u>\$ 303,795</u>	<u>\$ 22,660</u>	<u>\$ 7,253,895</u>

Schedule 3

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Bangs Eradication</u>	<u>Emergency Management</u>
\$ 7,057	\$ 35,819	\$ 3,424	\$ 1,646	\$ 259,750	\$ 30	\$ 640,595
2,664 424,811	18,377 2,171,967	1,267 205,891			11 1,796	
<u>434,532</u>	<u>2,226,163</u>	<u>210,582</u>	<u>1,646</u>	<u>259,750</u>	<u>1,837</u>	<u>640,595</u>
434,532	2,226,163	210,582	1,646	259,750	1,837	4,439 15,451 620,705
<u>\$ 434,532</u>	<u>\$ 2,226,163</u>	<u>\$ 210,582</u>	<u>\$ 1,646</u>	<u>\$ 259,750</u>	<u>\$ 1,837</u>	<u>\$ 640,595</u>

SHELBY COUNTY
Combining Schedule of Fiduciary Assets and Liabilities - Continued
Agency Funds
June 30, 2008

<u>County Hospital</u>	<u>Solid Waste Agency</u>	<u>E911 Commission</u>	<u>Recorder's E-Commerce</u>	<u>Tax Advance</u>	<u>M/H/S Empowerment</u>	<u>Total</u>
\$ 8,053	\$ (3,122)	\$ 313,232	\$ 275	\$ 51,297	\$ 266,785	\$ 1,816,057
						36,113
	333,000					333,000
3,028						71,805
502,943						10,729,502
		31,126				31,126
<u>514,024</u>	<u>329,878</u>	<u>344,358</u>	<u>275</u>	<u>51,297</u>	<u>266,785</u>	<u>13,017,603</u>
	51,842	1,200			97,777	218,435
	6,080					24,378
514,024	271,956	343,158	275	51,297	169,008	12,753,677
						21,113
<u>\$ 514,024</u>	<u>\$ 329,878</u>	<u>\$ 344,358</u>	<u>\$ 275</u>	<u>\$ 51,297</u>	<u>\$ 266,785</u>	<u>\$ 13,017,603</u>

SHELBY COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Employee Flex Spending	Schools
Balances Beginning of Year	\$ 21,920	\$ 119,313	\$ 284,202	\$ 25,085	\$ 6,818,196
Additions:					
Property and Other County Tax		114,298	213,085		6,997,522
E911 Surcharge					
State Tax Credits		7,138	6,900		408,668
Other State Revenues					
Office Fees and Collections	140,808				
Auto Licenses, Use Tax and Postage Assessments					
Trusts	167,641				
Miscellaneous			11,145	36,760	
Total Additions	308,449	121,436	231,130	36,760	7,406,190
Deductions:					
Agency Remittances:					
To County Employees				39,185	
To Other Governments	140,472	121,331	211,537		6,970,491
Trusts Paid Out	153,784				
Total Deductions	294,256	121,331	211,537	39,185	6,970,491
Balances End of Year	\$ 36,113	\$ 119,418	\$ 303,795	\$ 22,660	\$ 7,253,895

Schedule 4

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Bangs Eradication</u>	<u>Emergency Management</u>
\$ 402,365	\$ 2,052,569	\$ 194,273	\$ 424	\$ 270,650	\$ 363,399	\$ 704,025
419,817	2,800,824	202,596			3,373	
24,250	130,497	11,668			99	7,290
				3,166,815		
			13,256			
						604,446
<u>444,067</u>	<u>2,931,321</u>	<u>214,264</u>	<u>13,256</u>	<u>3,166,815</u>	<u>3,472</u>	<u>611,736</u>
411,900	2,757,727	197,955	12,034	3,177,715	365,034	675,166
<u>411,900</u>	<u>2,757,727</u>	<u>197,955</u>	<u>12,034</u>	<u>3,177,715</u>	<u>365,034</u>	<u>675,166</u>
<u>\$ 434,532</u>	<u>\$ 2,226,163</u>	<u>\$ 210,582</u>	<u>\$ 1,646</u>	<u>\$ 259,750</u>	<u>\$ 1,837</u>	<u>\$ 640,595</u>

SHELBY COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued
Agency Funds
For the Year Ended June 30, 2008

<u>County Hospital</u>	<u>Solid Waste Agency</u>	<u>E911 Commission</u>	<u>Recorder's E-Commerce</u>	<u>Tax Advance</u>	<u>M/H/S Empowerment</u>	<u>Total</u>
\$ 462,363	\$ 422,980	\$ 267,941	\$ 297	\$ 54,347	\$ 307,869	\$ 12,772,218
494,258						11,245,773
		126,721				126,721
27,677						616,897
		30,722			696,166	734,178
						140,808
						3,166,815
						13,256
						167,641
	670,587	2,010	3,230	107,067	1,393	1,436,638
521,935	670,587	159,453	3,230	107,067	697,559	17,648,727
						39,185
470,274	763,689	83,036	3,252	110,117	738,643	17,210,373
						153,784
470,274	763,689	83,036	3,252	110,117	738,643	17,403,342
\$ 514,024	\$ 329,878	\$ 344,358	\$ 275	\$ 51,297	\$ 266,785	\$ 13,017,603

Schedule 5

SHELBY COUNTY
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Fund Types
For The Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues					
Property and Other County Tax	\$ 4,737,413	\$ 4,766,609	\$ 4,818,830	\$ 4,502,899	\$ 5,067,769
Tax Increment Financing	183,245	183,245	104,412	80,486	76,791
Interest and Penalty on Property Tax	28,403	28,459	27,516	39,534	33,092
Intergovernmental	5,225,590	4,410,119	4,295,795	5,156,147	5,262,810
Licenses and Permits	214,120	177,386	175,258	155,961	146,386
Charges for Service	313,916	337,799	451,336	360,563	309,773
Use of Money and Property	328,668	273,406	263,287	178,185	103,765
Miscellaneous	287,209	275,494	278,586	196,995	148,858
Total Revenues	11,318,564	10,452,517	10,415,020	10,670,770	11,149,244
Expenditures					
Current					
Public Safety and Legal Services	1,704,440	1,630,894	1,524,392	1,433,248	1,414,193
Physical Health and Social Services	368,441	357,941	355,800	348,471	327,235
Mental Health	2,446,599	2,160,238	2,078,486	1,863,309	1,708,411
County Environment and Education Services	444,997	357,578	316,362	358,298	434,326
Roads and Transportation	4,679,611	4,355,212	4,079,612	3,709,770	3,346,330
Government Services to Residents	398,242	350,805	362,108	333,628	292,064
Administrative Services	1,004,741	919,344	1,010,105	964,039	929,941
Non-Program	21,259	27,667	126,899	654,913	394,390
Debt Service	228,445	221,123	59,481	69,528	566,504
Capital Projects	368,616	343,285	892,627	1,250,941	1,201,839
Total Expenditures	\$ 11,665,391	\$ 10,724,087	\$ 10,805,872	\$ 10,986,145	\$ 10,615,233

SHELBY COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Indirect			
DEPARTMENT OF AGRICULTURE			
Iowa Department of Human Services:			
State Administrative Matching Grants for Food Stamps Program	10.561		\$ 5,512
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558		5,908
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,457
Foster Care - Title IV-E	93.658		3,541
Adoption Assistance	93.659		845
Social Services Block Grant	93.667		44,957
State Children's Insurance Program	93.767		49
Medical Assistance Program	93.778		7,559
EMERGENCY MANAGEMENT AGENCY			
Iowa Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance	97.036	DR-1705-IA	387,883 *
DEPARTMENT OF HOMELAND SECURITY			
Iowa Homeland Security and Emergency Management:			
National Bioterrorism Hospital Preparedness Program	93.889	5888EM183	32,974
Iowa Department of Public Defense			
Emergency Management Performance Grant	97.042	CERT 2008	22,750
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Public Defense			
Interagency Hazardous Materials Training and Planning Grant	20.703		6,211
Total Indirect			519,646
Total			\$ 519,646

* Total disbursements from these programs exceed 50% of the total federal awards and are considered major programs.

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation - The schedule of expenditures of Federal Awards includes the federal grant activity of Shelby County and is presented on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SHELBY COUNTY



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Supervisors
Shelby County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Shelby County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Shelby County's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of Shelby County's financial statements that is more than inconsequential will not be prevented or detected by Shelby County's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-A-08 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Shelby County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. However, of the significant deficiency describe above, we believe Item II-A-08 is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Shelby County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Shelby County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Shelby County and other parties to whom Shelby County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Shelby County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Willsons & Company P.C.
Certified Public Accountants

Onawa, Iowa
April 29, 2009

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors, Shelby County:

Compliance:

We have audited the compliance of Shelby County, Iowa with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. Shelby County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Shelby County's management. Our responsibility is to express an opinion on Shelby County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shelby County's compliance with those requirements.

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance:

The management of Shelby County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Shelby County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Shelby County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Shelby County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of supervisors, management, employees and citizens of Shelby County and other parties to whom Shelby County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
April 29, 2009

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2008

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
CFDA Number 97.036 – Disaster Grants – Public Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Shelby County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were reported.

Significant Deficiencies

II-A-08 Financial Accounting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County's financial statements

Response – We will double check these in the future to avoid missing any receivables, payables, or capital asset transactions.

Conclusion – Response accepted.

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2008

Part III: Findings Related to Federal Expenditures

Instances of Non-Compliance:

No matters were reported

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget – Disbursements during the fiscal year ended June 30, 2008 exceeded amounts budgeted in the Mental Health, Roads and Transportation, and Non-Program functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

IV-B-08 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense – No expenditures of County money for travel expense of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – There were no business transactions between the County and County officials and/or employees during the year ended June 30, 2008.

IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-08 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in these financial statements. Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

IV-H-08 Resource Enhancement and Protection Certification - The County properly dedicated enough property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

SHELBY COUNTY
Schedule of Findings and Questioned Costs
June 30, 2008

IV-I-08. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

SHELBY COUNTY